

October, 1976

ESO 374

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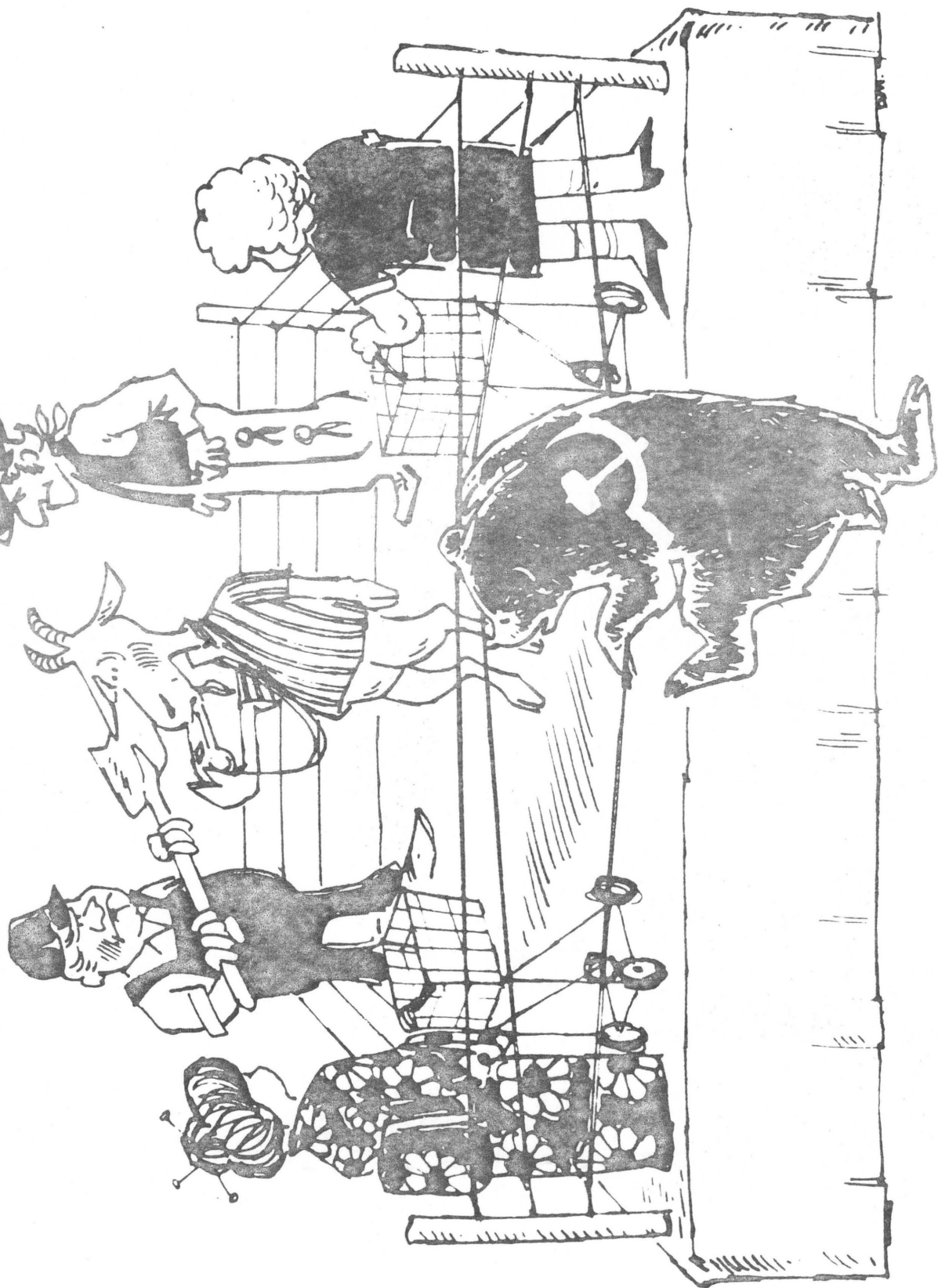
VISUAL PRESENTATION
for
SOME CONSIDERATIONS
FOR THE
1977 FARM AND FOOD LEGISLATION

by

Wallace Barr, Extension Economist
Department of Agricultural Economics and
Rural Sociology

The Ohio State University

THE FIGHT RING



FOOD POLICY OBJECTIVES



ADEQUATE FOOD SUPPLY

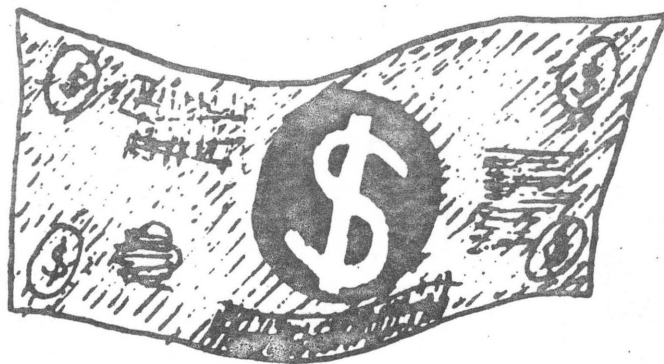
- Meet Needs At Relatively Stable Prices**
- Meet World Needs**

FLEXIBILITY

- Deal With Shortage Or Surplus**

EQUITY

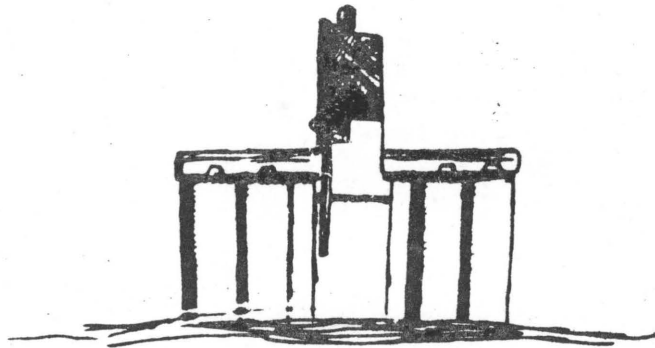
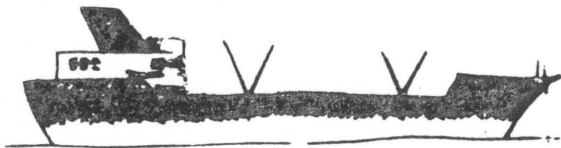
**-- Prices Acceptable To Consumers
And Farmers**



EFFICIENCY

-- Maintain Benefits Of Trade

FOOD POLICY OPTIONS



1. FREE MARKET

2. AFFECT EXPORTS AND IMPORTS

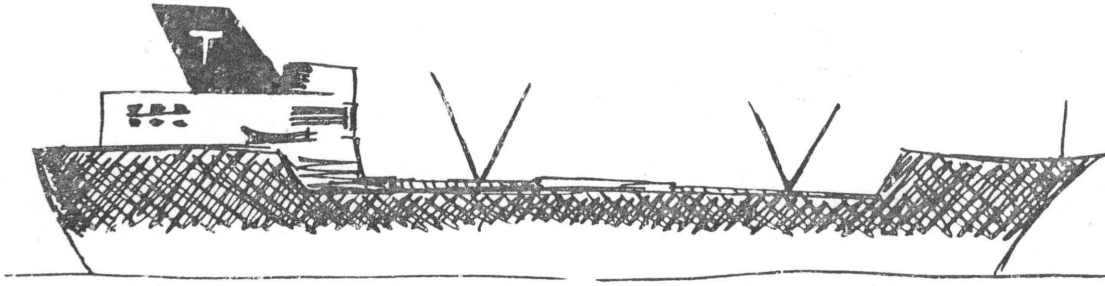
Lift Import Restrictions

Regulate Exports

3. FOOD RESERVES

4. PRODUCTION PROGRAMS

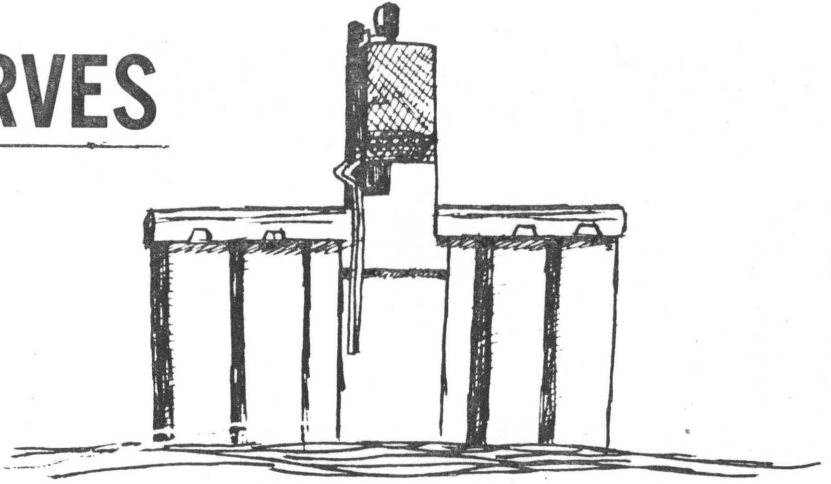
GRAIN RESERVES



FREE MARKET ADVOCATES SAY

- 1-Distorts Market Signals
- 2-Depresses Farm Prices
- 3-Subject To Political Manipulation
- 4-Discourages Foreign Reserves
- 5-Costly To Manage And Store

GRAIN RESERVES



ADVOCATES SAY

1-Increases Price Stability

2-Assures Food Supply

3-Reduces Farmer Risk (Livestock)

4-No Need For Embargoes

5-Easier Grain Marketing

6-Reduces Inflationary Pressure

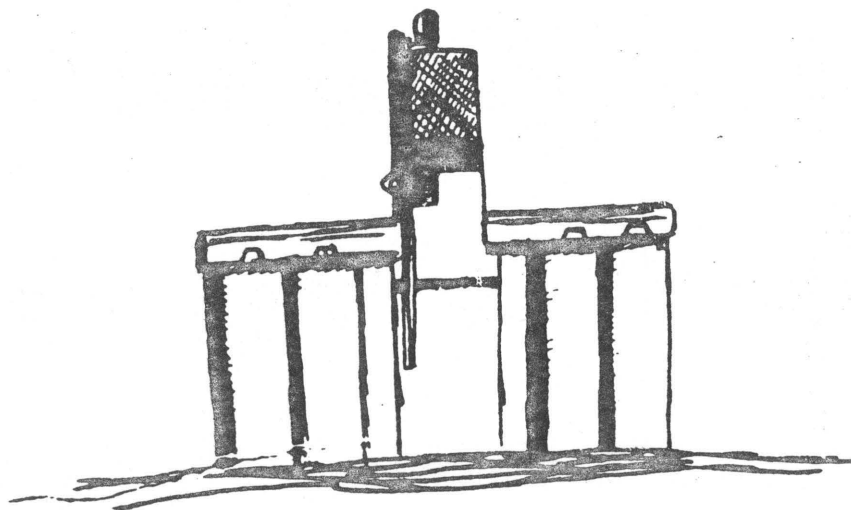
OPERATIONAL ISSUES

-- Who Stores?

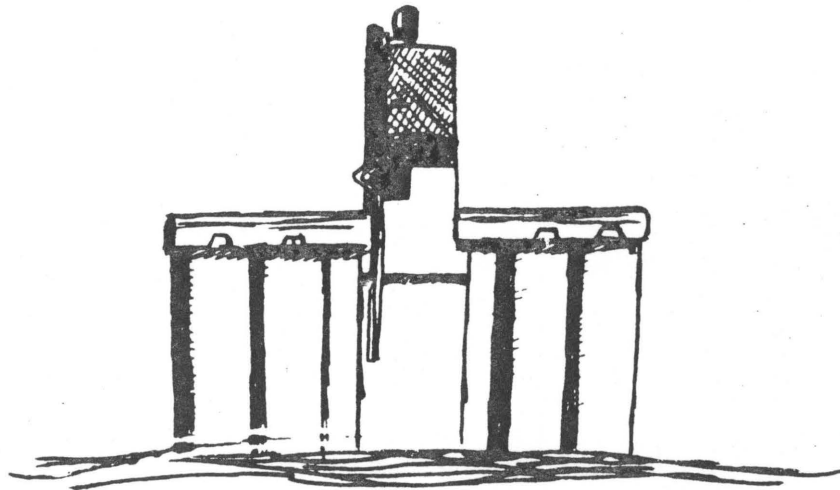
-- How Acquired?

-- How Financed?

-- How Dispose?



FOOD RESERVES: THE PAST



GOVERNMENT OPERATED CCC PROGRAM

-- Used To Support Farm Income

-- Supplied Food For Peace Program:

25% Of Farm Exports At One Time

Value In Storage

1959	\$6.5 Bil. (Record)
1961-64 (Ave.)	\$5.0 Bil.
1972-75 (Ave.)	\$0.3 Bil.

Storage Costs:

2 Bil. Bu. = \$0.8-1.0 Bil. Annually

Food Prices

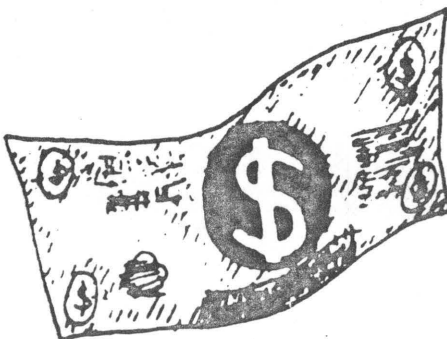
Change In "Real" Food Prices

1961-1964

0

1972-1975

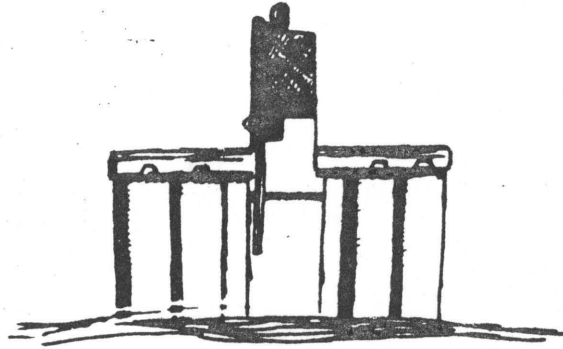
+13.4%



10

FOOD RESERVES: PRESENT

THE BASIC IDEA



- "Surplus": Put Grain Into Storage**
- "Shortages": Pull From Storage**

Applicable To Nonperishables

Who Stores Today?

- Farmers And Trade**
- No Government Storage**

DOMESTIC FOOD RESERVE PROPOSAL



--FARMERS: TRADE HOLD SOME STOCKS

--PUBLIC RESERVES

30 Mil Metric Tons

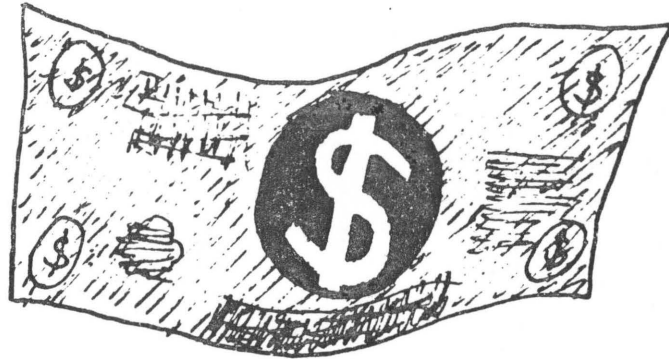
19 MMT:Wheat

10 MMT:Feed Grains

1 MMT:Rice

--MEETS ALL WORLD SHORTFALLS 1960-73

COSTS OF 30 MIL RESERVE



**ACQUISITION COSTS IN ONE YEAR
RECURABLE**

\$ 3.6 BIL

OVERHEAD COSTS

INTEREST

360 MIL

STORAGE (25¢/Bu)

250

ADMINISTRATIVE

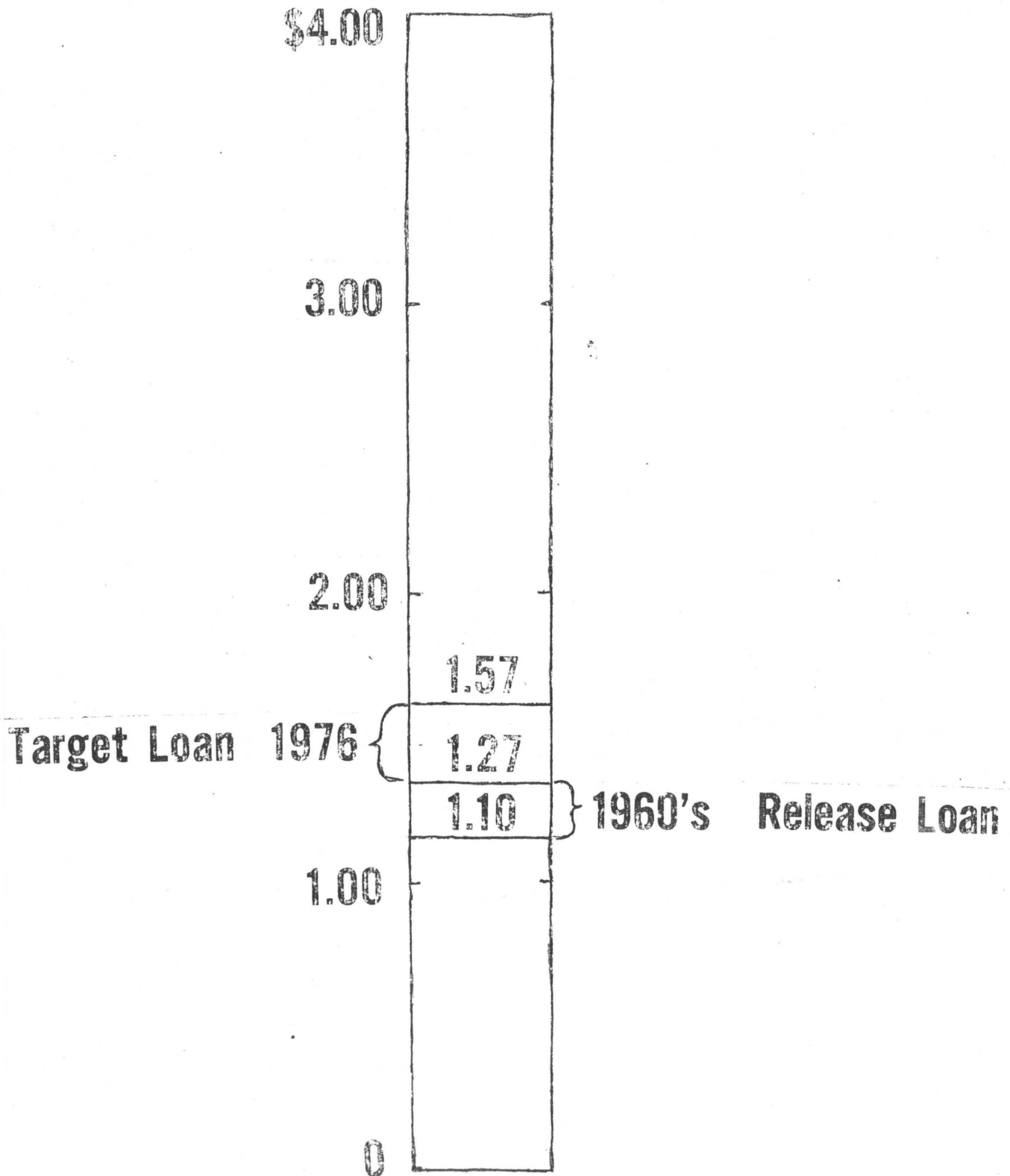
50

TOTAL

660

PRICE OF CORN

(\$/BU)



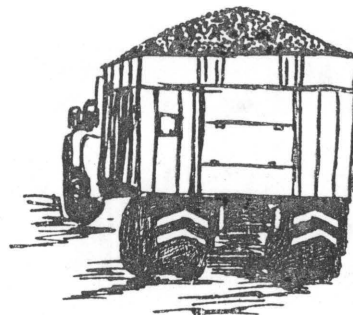
SOME OPERATING CHOICES

PRICES

--Cost Of Production

--A Moving Average

--An Equilibrium Model



	<u>WHEAT</u>	<u>CORN</u>	<u>RICE</u>
Stocklevel, Mil.Bu.	700	375	22
Acquistion Price, Bu.	3.00	2.00	XX
Release Price	4.50	3.00	XX

QUANTITY RULE WHEN STOCK AT

UNDER 15 MIL TONS

RAISE ACQUISITION PRICE 25%

A DOMESTIC FOOD RESERVE PROPOSAL



-- FARMERS: TRADE HOLD MOST OF GRAIN

-- GOVERNMENT RESERVES

10 Mil. Metric Tons

6 MMT: Feed Grains

4 MMT: Wheat

**-- MEETS TWO OF THREE YEARS OF THE
WORLD IMPORT VARIATION**

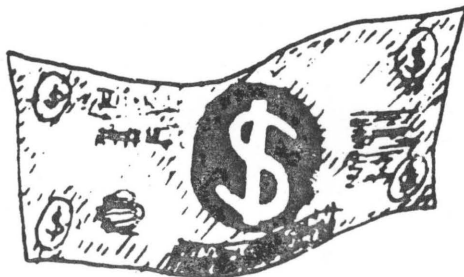
-- COST TO GOVERNMENT

Acquisition	\$1.2 Bil.
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Storage (Annual)	\$180 Mil.
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-- MINIMUM EFFECT ON FOOD PRICES

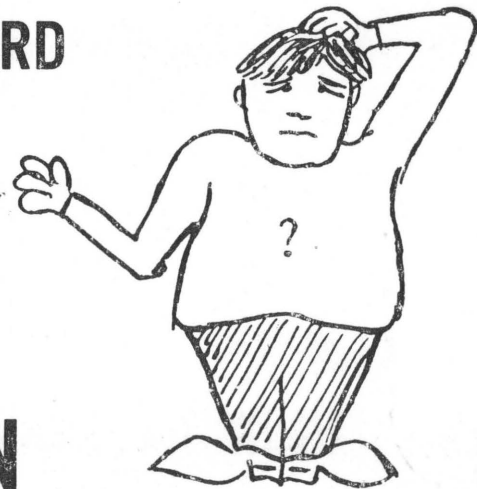
-- EMERGENCY FOOD AID MET



WHO WILL CONTROL

CCC ?

FOOD RESERVE BOARD



WHO WILL OWN

PUBLIC THROUGH

CCC

FOOD BOARD

FARMERS UNDER BOARD